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December 31, 2015

Mr. Jeff Derouen, Esq.
Executive Director
Kentucky Public Service Commission
Post Office Box 615
Frankfort, KY 40602-0615

Re: Water Purchase Agreement
Bracken County Water District
Western Mason County Water District

Dear Mr. Derouen:

Pursuant to 807 KAR 5:011, Section 13, enclosed for filing with the Kentucky Public Service Commission is a Water Purchase Agreement between Bracken County Water District ("Bracken District") and Western Mason County Water District ("Western Mason District").

The proposed Agreement is in the public interest. It provides for an emergency supply of water for the water districts and allows each water district to diversify its sources of water and reduce its risk of water shortage or stoppage. It allows each water district to provide water to the other upon request to the extent that the supplying water district has excess capacity available. Neither water district is required to provide water in excess of its available supply. The proposed Agreement does not impose a minimum purchase requirement on either water district.

Under the terms of the Agreement, Bracken District will pay for the cost of interconnection, which the parties currently estimate to be \$90,000. Western Mason District, however, will eventually assume 50 percent of the cost by providing Bracken District a billing credit of \$0.50 per 1,000 gallons on all purchases until the total amount of the credit equals 50 percent of the total cost of the interconnection project. Upon completion of the interconnection project, the project engineer will certify to both water districts the project's total actual cost.

The proposed Agreement provides that Western Mason District will sell water to Bracken District at an initial rate of \$1.83 per 1,000 gallons. The parties determined this rate based upon Western Mason District's actual production costs for calendar year 2013 as reported in Western Mason District's Annual Report to the Public Service Commission. As the proposed Agreement does not require Western Mason District to provide a minimum volume to Bracken District but only excess capacity above Western Mason District's needs, the parties agreed that the initial

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rate should be designed primarily to recover Western Mason District's variable costs of production. The agreed initial rate will also allow Western Mason District to recover a portion of its depreciation and debt service expense. The calculations upon which the parties based the initial rate are enclosed. The proposed Agreement allows for annual adjustments in the rate and further provides that the rate be based upon the actual cost of service.

As Bracken District lacks its own water treatment facilities and purchases its entire water requirements from the City of Augusta, the parties expect that Bracken District will be more likely to purchase water under the proposed Agreement. (Western Mason District has its own water production facilities.) In lieu of specifying a rate that Bracken District would assess Western Mason District for any water that Western Mason District receives through the interconnection, the parties have agreed that any volume that Western Mason District takes through the interconnection would be credited or offset against the volume of water that Bracken District purchases through the interconnection.

Please contact me if you have any questions regarding the proposed contract.

Respectfully,

Stoll Keenon Ogden PLLC

A handwritten signature in dark ink, appearing to read "Gerald Wuetcher", written over a horizontal line.

Gerald Wuetcher

GEW

Enclosures